

January 21, 2000

Mr. Larry Anderson, Administrator
Magnolia Manor - Inman
63 Blackstock Road
Inman, South Carolina 29349

RE: AC# 3-MIN-J9 (PN) - Magnolia Manor - Inman

Dear Mr. Anderson:

A review of the Patients' Personal Needs Account (PNA) and deductions claimed for non-covered medical expenses was conducted by our office on September 22, 1999, and included tests for compliance with applicable state and federal laws and regulations, and the administrative guidelines as set forth in the contract between Magnolia Manor - Inman, and the Department of Health and Human Services. As a result of this review, we noted the following:

Patients' Personal Needs Account

I. Based on our reconciliation of the Personal Needs Funds (PNF) as of 9/20/99, the balance of funds per the patients' ledger cards was less than the available balance in the PNF bank account by \$215.

We recommend the provider investigate and correct this variance in accordance with existing laws and regulations.

II. Residents did not receive the full \$30 personal needs allowance. The provider was deducting excess room and board charges from patient income.

We recommend the provider reimburse patients for these charges and deductions and discontinue this practice.

III. The cost of checks ordered for the PNA was improperly charged to the patients.

We recommend the provider charge these reimbursable costs to the Medicaid program, and reimburse the patients for these charges.

IV. PNF interest was not allocated to patient accounts based on the provider's policy. Interest earned per the bank statement does not agree to the total interest allocated to patient accounts and a patient with a month-end account balance did not receive an interest allocation.

We recommend the provider allocate and post interest to all PNAs in a timely manner in accordance with the provider's policy.

Non-Covered Medical Expenses

I. The provider did not complete monthly log sheets, Form 236, for medical expenses. Log sheets should be prepared monthly for patients who incur medical expenses to record and document the expenditure.

We recommend that the provider prepare monthly log sheets, Form 236, for patients who incur non-covered medical expenses as required by the 1997 Medicaid Provider Manual.

II. Deductions by the provider for OTC/Non-legend drugs were made from the Medicaid recipient's monthly recurring income. Reimbursement for OTC/Non-legend drugs are part of the per diem rate for routine nursing services and are not eligible deductions under the non-covered medical expense program.

We recommend the provider charge OTC/Non-legend drugs to routine nursing services and only include eligible expenditures, as outlined in the 1997 Medicaid Provider Manual.

By request of the state Medicaid agency, this letter also serves as an official notice of your requirement to respond with a report of planned corrective actions on the recommendations and deficiencies noted in this report within forty-five (45) days of the date of this letter. Your response should reference the audit control number and be addressed to: Division of Home Health and Nursing Facility Services, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. You are also required to simultaneously furnish a copy of your corrective action report to the State Auditor's Office. Please call Mr. John Corbacho, CPA, if further information is needed, at 803-253-4160.

Sincerely,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman